

American Recovery and Reinvestment Act (ARRA) Compliance



Risk Assessment Procedures:

Recipients of ARRA funding are required by state directive to perform risk assessments. The risk assessment should relate directly to the purposes for which the ARRA funding was received. The Office of the Tennessee Recovery Act Management's (TRAM), Directive No. 8 states, "All recipients and sub-recipients of ARRA funds are required to adopt a risk assessment process for all ARRA programs to include risk identification, risk evaluation and mitigation plans. The risk assessments must also include items that address meeting program requirements and objectives."

Management is responsible for performing risk assessment procedures and for establishing and maintaining a system of internal controls based on the risk assessment. The following risk assessment procedures will meet the requirements of TRAM Directive No. 8 from the perspective of the Division of County Audit. The risk assessment process should be documented in writing. The directive and related procedures only apply to offices/funds that receive ARRA grants:

- A. The first step in any risk assessment process is to determine whether or not internal controls are in place to mitigate risks associated with day-to-day operations. (See the Section on Internal Controls above).
- B. The second step is to define the program requirements and objectives. Normally, the program requirements and objectives will be presented either in the grant application or in information provided by the state pass-through agency that disburses the ARRA grant.
- C. The third step involves asking questions. All ARRA programs are subject to an unprecedented level of scrutiny and must be administered under strict accountability and transparency guidelines. Therefore, grant recipients should ensure they are willing and able to comply with program requirements and objectives. Recipients should ask, what risks exist that would prevent the government from achieving the program requirements and objectives? For example:

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Note: These are only examples of some of the questions that might be relevant. The list is not intended to be all-inclusive or applicable to every grant.

- Who will be the senior level official designated for ARRA accountability? Does the government have adequate capable staffing to comply with the grant?
 - Does the government fully understand its responsibilities under the grant?
 - Is the government's accounting system capable of tracking ARRA funds (receipts and disbursements) separately from other funds?
 - Can the government expend the grant within the allotted time frames?
 - Can the government meet the reporting requirements? (e.g. Can the government close its books within 10 days after each quarter?)
 - How will the government determine and track new jobs created or jobs retained?
 - How will the government be affected once ARRA funding is no longer available?
- D. The fourth and final step involves mitigating any risks identified at step three.